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EX PARTE OR LATE FILED

April 6, 2007

Ex Parte

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

FILED/ACCEPTED

APR - 6 2007

Federal Communications Commission
Office of the Secretary

ORIGINAL

Re: **REDACTED - FOR PUBLIC INSPECTION IN WC DOCKET
NO. 02-112 before the Federal Communications Commission
Section 272(f)(1) Sunset & the BOC Separate Affiliate and Related
Requirements**

Dear Ms. Dortch:

In response to a letter dated March 13, 2007, from Donald K. Stockdale, Associate Chief, Wireline Competition Bureau, and the Information Request attached thereto, AT&T Inc. (AT&T) hereby supplements, corrects, or clarifies narrative answers, the requested data, and/or the supporting documentation for the following responses: 1.a., 1.a.ii), 1.a.iii), 1.b., 1.c., 1.d., 1.f., 1.g., 1.i, 2, 4, and 5.

Much of the information contains material that is extremely sensitive from a commercial, competitive, and financial perspective, and that AT&T would not, in the normal course of its business, reveal to the public or to its competitors. Where appropriate, therefore, such material is being submitted on a confidential basis pursuant to the **First Protective Order**¹ and the **Second Protective Order**² in this proceeding and is appropriately marked. AT&T is filing the following responses subject to the **Second Protective Order**: 1.a., 1.a.ii), 1.a.iii), 1.f., and 4. All of these responses fall within the following category of "Highly Confidential Information": "revenues or numbers of customers disaggregated by customer type and a market area smaller than the nation . . . including carrier-specific E911 line count listings."³ AT&T is filing the following response subject to the **First Protective Order**: 5. Accompanying AT&T's confidential and highly confidential information is a request for confidential treatment.

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¹ *Section 272(f)(1) Sunset of the BOC Separate Affiliate and Related Requirements, WC Docket No. 02-112, First Protective Order, DA 07-1387 (rel. March 23, 2007) (First Protective Order).*

² *Section 272(f)(1) Sunset of the BOC Separate Affiliate and Related Requirements, WC Docket No. 02-112, Second Protective Order, DA 07-1389 (rel. March 23, 2007) (Second Protective Order).*

³ *Second Protective Order* at para. 4. As discussed with FCC staff, AT&T has taken the additional step of masking the identity of unaffiliated providers in all of its responses.



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The confidential, non-redacted version of AT&T's response will be made available for inspection, pursuant to the terms of the two *Protective Orders*, as applicable, at the law offices of Sidley Austin LLP. Counsel for parties to this proceeding should contact Brendan McMurrer of that firm at (202)736-8135 to coordinate access after they comply with the terms of the FCC's *Protective Orders*. Parties seeking access to AT&T's confidential documents should first serve the Acknowledgement of Confidentiality on Mr. McMurrer at Sidley Austin LLP, 1501 K Street, N.W., Washington, D.C. 20005.

AT&T is separately filing a redacted version of this submission through the Commission's Electronic Comment Filing System.

Please do not hesitate to contact me if you require additional information

Sincerely,

/s/ Frank S. Simone

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1.a. For each AT&T franchise area, provide: The number of AT&T's (including legacy AT&T's, legacy BellSouth's, and legacy SBC's) retail residential wireline local exchange service lines.

Response: **SUPPLEMENT.** See attached. In its March **29,2006** filing, AT&T inadvertently omitted the number of AT&T's retail residential wireline local exchange service lines. As noted on the attached table, for the period **of** time pre-SBC and AT&T Corp. merger (*i.e.*, pre-4th Q05) and pre-BellSouth merger (*i.e.*, for the entire period reported), AT&T provides the requested information for then-unaffiliated legacy AT&T Corp.'s competitive local exchange carrier residential service lines in tables 1.b., 1.c., and 1.d.

Attachment 1.a.

Table(s) Redacted in Full

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1.a.i) For each AT&T franchise area, provide: The number of these lines for which AT&T is the presubscribed interstate long distance carrier. Also provide the number of these lines that are presubscribed to: (1) an AT&T usage **per** minute plan; (2) an AT&T **plan** that includes a bucket of interexchange minutes; and (3) an AT&T plan that includes an unlimited number of interexchange minutes. For each individual plan, provide the number of lines, the total number of interstate interLATA long distance minutes, the average number of minutes used, and the standard deviation of minutes used.

2. For each AT&T franchise area, provide the number of retail residential wireline lines for which AT&T is the presubscribed interstate long distance carrier but not the local exchange carrier.

Response: **CLARIFICATION.** In its March 29, 2007 filing, AT&T mistakenly named the spreadsheet for its response to “1.a.i)” “1.a.” In addition, prior to 4th Q05, legacy AT&T Corp. was **an** unaffiliated long distance provider and thus its line counts prior to that period of time should not be combined with legacy SBCLD’s line counts. This is also true for AT&T’s March 30, 2007 response to specification 2.

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1.a.ii) For each AT&T franchise area, provide: The number of these lines for which each of Verizon, Sprint, or another long distance carrier is the presubscribed interstate long distance carrier.

Response: **CORRECTION – the attached table replaces that filed on March 29, 2007. See** attached. When AT&T filed its response to this specification on March 29, 2007, it did not have carrier-specific data **for** the legacy SBC region. Since that time, it has obtained such data for 4th Q05 and 4th Q06.

Attachment 1.a.ii)

Table(s) Redacted in Full

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1.a.iii) For each AT&T franchise area, provide: The number of these lines for which there is no presubscribed interstate long distance carrier.

Response: **CORRECTION – the attached table replaces that filed on March 29, 2007.** See attached. When AT&T filed its response to this specification on March 29, 2007, it did not have carrier-specific data for the legacy SBC region. Since that time, it has obtained such data for 4th Q05 and 4th Q06.

Attachment 1.a.iii)

Table(s) Redacted in Full

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1.b. For each AT&T franchise area, provide: The number of residential lines AT&T provides to resellers, and the name and corresponding line counts for the top three purchasers of resold lines.

1.c. For each AT&T franchise area, provide: The number of residential UNE-L lines provided by AT&T, and the name and corresponding line counts for the top **three** purchasers of UNE-L lines.

1.d. For each AT&T franchise area, provide: The number of residential lines that AT&T provides through negotiated commercial agreements, and the name and corresponding line counts for the top three purchasers of these lines.

Response: **CLARIFICATION.** In its March **28**, 2007 responses to these specifications, AT&T attached tables that included pre-merger (*i.e.*, **pre-4th** Q05) AT&T Corp.'s competitive local exchange line counts. AT&T did not mask the identity of the then-unaffiliated legacy AT&T Corp. in any of these responses.

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1.f. For each AT&T franchise area, provide: **By** carrier, the number of residential access lines provided by facilities-based providers other than AT&T (e.g., E-911 listings in which AT&T is not the underlying local exchange carrier).

Resuonse: **CORRECTION – the attached table replaces that filed on March 28, 2007.** See attached. In its March 28, 2007 filing, AT&T was unable to provide responsive data to this specification for its East region (*i.e.*, most of the state of Connecticut). While AT&T is still unable to provide carrier-specific data for this franchise area, the revised table incorporates facilities-based competitive local exchange carrier Connecticut data that AT&T gathered from the following FCC report: Local Telephone Competition: Status as of June 30, 2006, available at: http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-270133A1.pdf . See attached.

Attachment 1.f.

Table(s) Redacted in Full

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1.g. For each AT&T franchise area, provide: An estimate of the total number of residential consumers relying upon over-the-top VoIP for all of their voice telecommunications needs, by provider.

Response: **CORRECTION** – there **is** no attachment to this response. AT&T has not prepared for its internal purposes an estimate of the total number of residential consumers relying on over-the-top VoIP service. As Qwest explained in its response to the same specification, over-the-top VoIP providers are generally not regulated¹ and do not file subscriber line counts by state.² Consequently, obtaining reliable data about such providers is a challenge. AT&T is currently investigating what data could be created by third-party firms that would be responsive to this specification. AT&T will supplement its response if it is able to obtain such data.

¹ Cf. *Universal Service Contribution Methodology, et al.*, WC Docket No. 06-122, Report and Order and Notice of Proposed Rulemaking, FCC 06-94 (rel. June 27, 2006) (requiring interconnected VoIP providers to contribute to the federal universal service fund).

² See Letter from Melissa Newman, Qwest, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 05-333 (filed Jan. 16, 2007).

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1.i. For each AT&T franchise area, provide: For all AT&T affiliates and subsidiaries, including legacy AT&T, legacy BellSouth, and legacy SBC, estimates of:

- i) AT&T's market share of presubscribed long distance services provided to residential customers, AT&T's market share of a local and long distance service bundle, and the elasticity of demand for AT&T's long distance services.

Resuonse: **SUPPLEMENT.** In its March 30, 2006 filing, AT&T inadvertently omitted the elasticity of demand for AT&T's long distance services. AT&T estimates the price elasticity of demand for wireline toll to be -0.72. This measure applies to all wireline long distance (including residential and enterprise). In its reply comments to the Missoula Plan, CC Docket No. 01-92, AT&T filed an exhibit titled, Economic Benefits from Missoula Plan, Reform of Intercarrier Compensation. Attached please find AT&T's discussion of price elasticity contained in this exhibit. A complete copy of AT&T's reply comments are available at:

http://gulfoss2.fcc.gov/prod/ecfs/retrieve.cgi?native_or_pdf=pdf&id_document=6518724623 and

http://gulfoss2.fcc.gov/prod/ecfs/retrieve.cgi?native_or_pdf=pdf&id_document=6518724624

ch 1

Economic Benefits from Missoula Plan Reform of Inter-carrier Compensation

Richard N. Clarke

Thomas J. Makarewicz

AT&T

1 February 2007

- Current average per incremental minute wireline toll price, $P_{current}$, is approximately \$0.0500.⁵
- Year 2005 wireline toll conversation minutes, $Q_{current}$, are approximately 428 billion nationwide. This figure is derived from year 2005 data reported to the FCC, NECA and CTIA. Its derivation is outlined in the Appendix to this paper.⁶
- Because the 200 billion wireless-attributable wireline access minutes removed from total wireline access minutes of 894 billion are always terminating access minutes, it is necessary to adjust downward the fraction of terminating access minutes in the balance of 694 billion wireline-attributable access minutes to determine the relevant access cost reduction in the per-minute cost of a wireline toll conversation minute (see the Appendix). These adjustments suggest that a post-Missoula plan per-minute wireline toll price, $P_{proposed}$, of \$0.03751 will be realized in the fourth year following the Missoula plan's implementation. The wireline toll reduction assumes that the plan's switched access reductions of \$0.01249 per conversation minute will be phased in evenly over four years and be flowed through to retail toll rates.
- The price elasticity of demand for wireline toll, β , is assumed to be **-0.72**. This measure applies to all wireline long distance – interstate and intrastate, business and residential. It falls in the middle of the range of historic interstate toll price elasticities and has not been superseded by more current estimates.⁷

⁵ This figure is an average of residence and business per-minute rates and is intended to represent the incremental retail price of a minute of toll calling. Note that is not intended to include the flat monthly charges (e.g., \$3.95) that an interexchange carrier may levy in addition to its per-minute charges and does not include universal service assessments. Thus, this figure should generally be significantly less than the gross average revenue per minute figures reported by the FCC in Table 9 of its report on Telecommunications Industry Revenues for calendar year 2004, released March 2006 (available at: http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-264669A1.pdf) and in Table 13.4 of the FCC's Trends in Telephone Service report, June 21, 2005 (available at: http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/trend605.pdf).

⁶ This figure of 428 billion toll conversation minutes is substantially less than the figure of 582 billion used in our earlier paper. The newer figure reflects both the smaller number of such minutes in 2005 relative to 2004 and our improved understanding of the interplay between these wireline minutes and wireless long distance minutes. In our earlier work, we assumed that all wireline toll minutes were attributable to retail sales of wireline long distance services. But because certain of these wireline long distance minutes are actually wholesale minutes provided to wireless companies for retail sale to wireless end users, it is inappropriate to attribute the benefits of access charge reductions on these minutes to wireline customers. Rather, they are benefits properly attributable to wireless customers. Thus, the proper figure to use here are only wireline long distance minutes that originate on wireline networks. The development of these minute counts is explained at further length in the Appendix.

⁷ Consensus estimates of the elasticity for long distance service are in the neighborhood of -0.7; see M. H. Riordan, "Universal Residential Telephone Service," in Martin E. Cave, Sumit K. Majumdar, and Ingo Vogelsang (eds.), *Handbook of Telecommunications Economics*, Volume I (Amsterdam: Elsevier, 2002), p. 436. See also Jerry Hausman and Howard Shelanski, "Economic Welfare and Telecommunications Regulation: The E-Rate Policy for Universal-Service Subsidies,"

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4. For each AT&T franchise area and each metropolitan statistical area in AT&T's franchise area, provide for each retail business customer class (*e.g.*, small, medium and large enterprise customers) and each service class (*e.g.*, long distance voice, ATM, Frame Relay, T1 and T3), an estimate of the market share of revenues (or some other generally accepted unit of measurement) for AT&T and for each of AT&T's competitors.

Response: **CORRECTION – the attached table replaces that filed on March 30, 2007.** See attached. At the request of staff, AT&T is re-filing its March 30, 2007 response to this specification to create another category of retail business customer class (0-4 lines). In addition, as explained in our earlier responses, AT&T masked the identity of all unaffiliated carriers throughout its responses. In so doing, in its response to this specification, it masked the following categories: "Other" and "Unspecified." AT&T has assigned 136 to the "Other" category and 194 to the "Unspecified" category.

Attachment 4.

Table(s) Redacted in Full

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5. For the nation as a whole,

- a. Provide ~~for~~ national, multi-locational large enterprise customers purchasing long distance voice services, ~~an~~ estimate of AT&T's market share of revenues (or of some other generally accepted unit of measurement) and an estimate of the market share of each of AT&T's competitors.
- b. Provide for long haul services, an estimate of AT&T's market share of revenues (or of some other generally accepted unit of measurement) and ~~an~~ estimate of the market share of each of AT&T's competitors.

Response: At the request of staff, AT&T provides the following additional information about the methodologies used by its third-party consultants in creating the responsive estimates for both 5.a. and 5.b.

5.a.: See attached.

5.b.: **REDACTED**

Attachment 5.

Table(s) Redacted in Full